Sources of Farm Business Credit in Alberta

Alberta
AGRICULTURE

Agdex 832

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PREFACE

Although the amount of capital required to fund Alberta's agriculture industry has decreased over the last few years, there remains a need for capital to fund:

1. Increased mechanization of production processes.
2. Intensification of agricultural production through the application of new and improved technology.
3. Specialization of production on farms.
4. Expansion of the size of farms so as to take advantage of economies of scale and increases in incomes.
5. Inter-generation transfers of farm assets.

This ever present need of capital for farm business operations, inspite of unstable conditions has caused lending institutions to modify their lending policies to meet the requirements of agricultural producers today. With current operating costs and present depressed commodity prices, it is essential for producers to make the most effective use of borrowed funds. As the amount of borrowed funds increases, the greater the need is for the farmer to plan his business, project cash flows, and monitor the progress of the business toward achievement of planned goals.

Institutions that lend funds to farm businesses recognize this need to plan and are requesting more factual information from farm managers. When approaching a lending institution for funds, the farm manager can hasten processing of his loan by presenting a balance sheet, a current income statement and a projected budget and cash flow statement. These statements readily provide the lender with some idea of the farmer's available security and his earning and repayment capacity. Assistance for developing these statements is included in the Farm Financial Fitness package available from Alberta Agriculture's district offices.

Requests have been received for information on agencies and individuals able to provide assistance to farmers who want to analyze and evaluate the benefits of change in their production plans and in the financial structure of their business. In response to this request, a listing of the agencies providing credit management services is provided at the back of the publication.

This publication also provides a listing of sources of credit available to Alberta farmers plus a brief description of each source. The purpose of the publication is to provide information to enable you to obtain an overview of Alberta credit sources. It is not intended that you rely upon this material for any other purposes. Every effort has been made to ensure accuracy as of January, 1987. Because of rapid changes taking place with respect to new programs, eligibility criteria and interest rates, interested individuals should contact the agencies involved to further investigate each credit source and obtain current, detailed information.

This publication is updated on a regular basis, and any ideas with respect to its content will be gratefully received.

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RULES FOR THE SOUND USE OF CREDIT

The amount of investment in land, buildings, equipment, livestock and operating capital required for the profitable operation of a modern farm business has become substantial and it has thus become virtually impossible for most farmers to accumulate sufficient savings to purchase the assets required. Consequently, borrowing money has become a necessary means of acquiring farm capital.

Rules for the sound use of credit can be categorized under the three R's of credit--risk, returns, and repayment.

1. RISK

Limit borrowing for enterprises that you do not fully understand. Experiment on a small scale before expanding through the use of borrowed funds.

Keep debts in line with your capital investment. Check the relationship of total assets to total liabilities and watch the distribution of current or short-term assets and liabilities in order to maintain a strong liquid position.

Maintain adequate insurance coverage to reduce risk and protect the farm business.

Keep debts as low as possible without reducing your efficiency. To reduce risks use loans for purposes that will bring the largest return per dollar invested in the shortest time.

2. RETURNS

Borrow primarily for purposes that will increase net income.

Study farm price trends. Estimate your ability to repay loans on a realistic and conservative basis over the term of the loan.

Keep debts in line with probable income. If possible, maintain reserve repayment capacity to meet emergencies. Income received from productive assets purchased by a loan should be applied on a regular basis against the loan.

Maintain good records so that you have the factual information needed for making sound management decisions, and for monitoring changes in your financial position.

When borrowing for depreciable assets, schedule the repayment term of the loan to coincide with the expected life of the asset.

3. REPAYMENT

Develop a definite repayment program that fits your cash flow.

Don't use too many credit sources. As your record of repayment grows, the more willing these lenders will be to service your credit needs.

Evaluate your total credit requirements; avoid borrowing on a "piecemeal" basis and plan to arrange financing before you actually need the funds.

DEALING WITH YOUR CREDITORS

Arranging credit is not a great deal different from arranging any other type of service. You want to get the most suitable, reasonable deal available.

Some points to consider when arranging credit are:

Shop around for credit. Select a dependable lender who is willing and able to provide good terms and sound financial advice.

Be businesslike, frank, and fair with the lender. Meet loan payments promptly. Whenever you are unable to do so, discuss your situation as far in advance of the due date as possible. Explain what you are able to do and outline how you plan to bring your account up to date.

Prepare the necessary background information to support your loan application such as balance sheet, past and projected income statements and cash-flow budget. Most lending institutions offer information and assistance in preparing these types of documents. Detailed assistance is also provided in Alberta Agriculture's Farm Financial Fitness package available at district offices.

Before making any changes to your farm business, whether it is developing a new enterprise or expanding an existing one, you must ask yourself, "Will it pay?" By completing a thorough analysis of the change (including partial budget and cash flow), you will know in your own mind if the change is worth it, before approaching your lender. Assistance in budgeting is also available from your district agriculturist using the Farm Planning Worksheet package.

I ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

A. DIRECT FARM LOAN PROGRAMS

1. BEGINNING FARMER LOAN PROGRAM

To assist individuals in establishing farms on an owned land base. This financing may be used for land; permanent improvements (including houses and mobile homes); breeding livestock; equipment; machinery; financial restructuring and/or debt consolidation (cannot encompass 100 per cent of loan purpose); purchasing shares in a farm company; making shareholders loans to a farm company. Refinancing operating capital is eligible only when repayment from other sources of financing is not possible.

NOTE: An individual who wishes to apply for a Beginning Farmer Loan is not required to approach other lenders before applying to the Agricultural Development Corporation (ADC).

AMOUNT OF LOAN: Maximum loan is $200,000 per farm family or $600,000 per farm partnership or company, based on $200,000 per active farm family.

TERMS: Loans may be amortized for periods of up to 30 years. Amortization periods for purposes other than land purchases are usually shorter. Loans may be paid out at any time without notice, bonus or penalty.

INTEREST RATES: Contact your nearest ADC Loans Officer for current ADC interest rates.

INCENTIVES:

To be eligible to receive incentives during the first five-year term of the loan, the borrower must:

a) continue farming, and cannot rent out the farm or have it custom farmed.
b) comply with specific loan conditions which indicate that the incentive will be lost if the condition is not met.
c) not have demonstrated gross financial or cultural mismanagement in the opinion of ADC.
d) not have been subject to legal action initiated by ADC.
e) not sell or dispose of any property, without ADC's consent, that in ADC's opinion forms a substantial part of the borrower's capital assets.
f) have maintained Alberta residency.
g) have complied with the loan program as authorized or amended.

The incentive is calculated at three per cent of the outstanding principal balance and is credited to the account on loan payment dates. For a Stage II or III loans, the incentive rate in effect at the time of the Stage II or III approval will apply.

STAGED OPTION

Applicants may choose to phase into the Beginning Farmer Loan Program in three stages.

In the Staged Option, the total of the loans may not exceed $200,000 or the amount the applicant is initially eligible to receive. The maximum amount is established at the time of Stage I approval, taking into account the total assets of the applicant and the loan limit in effect at the time. This maximum amount may be reduced by the outstanding amount of any Alberta Farm Credit Stability loans obtained after Staged Loan eligibility has been determined. To qualify for Stage II or III loans, the Stage II or III applicant must meet normal security and repayment requirements.

Stage II and Stage III funds are advanced at the preferred farm lending rate in effect at the time of Stage II or III approval. Applications for Stage II or III loans must be received within six years of the Stage I loan approval date.

Under this option, the applicant must show the Corporation a development plan describing the use of the two further stages and how they will aid in the development of a viable farm unit.

AVAILABLE TO: An applicant who:

a) is acquiring or already owns land or is or will be leasing Crown land which will lead to title.
b) has not previously operated a viable farm with an owned land base.
c) is living in Alberta and has lived in Alberta for a continuous period of at least one year during the three years immediately preceding the date of application.
d) has proforma assets (defined as the assets owned after completion of loan program) of less than $350,000. The assets of both the applicant and spouse are included in this total. Net worth after loan program cannot exceed $175,000.
e) has an investment to a minimum level of 20 per cent equity of the proforma assets. This equity must be in the form of cash or net worth in productive assets.
f) on initial application has not previously received a beginning farmer loan.
g) can demonstrate that full-time farming as defined by ADC will be the occupation of the borrower within a reasonable period of time. Working for another farmer is not considered as off-farm employment by ADC. A borrower's spouse may have full time off-farm employment.
h) has a minimum of two years of valid and verifiable practical farming experience or an equivalent. Experience must be obtained prior to application and must be relevant to the type of operation proposed.
i) after completion of the loan program, will not have more than $200,000 outstanding in total per farm family under ADC direct loans and the Alberta Farm Credit Stability Program. For companies and partnerships, this amount will not exceed $600,000 based on $200,000 per farm family.

OTHER CONDITIONS: A borrower will be required to:

a) supply all financial and production information to ADC, when requested, on an annual basis, in the Beginning Farmer Year End Package.
b) establish and maintain records in a method acceptable to ADC.
c) maintain a commitment to full-time farming.

APPLY TO: Alberta Agricultural Development Corporation District Loans Office - Page 13.

2. DEVELOPING FARMER PROGRAM

To assist primary producers in the development or maintenance of viable farms.

PURPOSE: Loans may be made for purchasing farmland; making permanent improvements (land improvements, constructing, altering, repairing or extending buildings or houses); purchasing mobile homes; financial restructuring; debt consolidation; purchasing shares in a farm company or making a shareholders loan to a farm company; and purchasing irrigation equipment.

AMOUNT OF LOAN: Maximum loan is $200,000 per farm family or $600,000 per farm partnership or company, based on $200,000 per active farm family.

TERMS: Loans may be amortized for periods up to 30 years. Loans primarily for debt consolidation will be amortized over 20 years or less and will require at least semi-annual payments. Loans for irrigation equipment will be amortized over 15 years or less. A loan may be paid out at any time without notice, bonus or penalty.

INTEREST RATES: Contact your nearest ADC Loans Officer for current ADC interest rates.

AVAILABLE TO: An individual who:

a) is acquiring or already owns land, or is or will be leasing Crown land which will lead to title.
b) is living in Alberta and has lived in Alberta for a continuous period of at least one year during the three years immediately preceding the date of application.
c) has proforma assets (defined as the assets owned after completion of loan program) of less than $500,000. The assets of both the applicant and spouse are included in the total. Net worth after loan program cannot exceed $250,000.
d) makes a commitment to full-time farming as defined by ADC. Working for another farmer is not considered as off-farm employment by ADC. A borrower's spouse may have full-time off-farm employment.
e) shows that alternate financing is not available or is not available at reasonable terms.
f) after completion of the loan program, will not have more than $200,000 outstanding in total per farm family under ADC direct loans and the Alberta Farm Credit Stability Program. For companies and partnerships, this amount will not exceed $600,000 based on $200,000 per farm family.

APPLY TO: Alberta Agricultural Development Corporation District Loans Office, Page 14.

3. DISASTER ASSISTANCE LOAN PROGRAM

PURPOSE: The intent of this program is to assist primary producers who have suffered an agricultural disaster in maintaining or regaining reasonable viability. Where the loss of an asset is not covered by adequate insurance or other compensation, the Agricultural Development Corporation may provide assistance under this program.

An agricultural disaster is defined as, "an occurrence to a farm operation that is beyond the control of management and that jeopardizes the viability of the farming operation".

Loans may be used to:

- repair or replace buildings or other permanent improvements
- replacement of livestock
- consolidate debts resulting from the financial loss associated with an agricultural disaster
- provide interim financing until compensation for losses associated with an agricultural disaster are received from an insurance company, or a third party that may be legally responsible for a portion of the loss.

NOTE: A condition of the loan requires that any compensation received will be used to repay the loan.
Any other purpose considered by ADC to be directly related to an agricultural disaster.

AMOUNT OF LOAN: Assistance offered through guaranteed loans will not be limited to any amount. Direct loans may be made to a maximum of $200,000. Loans already outstanding to ADC will not affect this loan limit.

TERMS: Since assistance may take the form of a guarantee of borrowings from other financial institutions or direct loans under ADC's regular loan program, the Corporation will look at each case individually. Funding under this program will be over the length of time necessary to regain or maintain reasonable viability, not necessarily up to the maximum period available under other ADC programs.

A loan may be paid out at any time without notice, bonus or penalty.

OTHER CONDITIONS: As a rule the program does not cover:
- losses due to market collapse
- losses which can be covered by crop insurance
- crop losses due to weather conditions
- financial distress resulting from the breakup of a partnership or marital union
- losses for which farmers customarily purchase insurance.

AVAILABLE TO: Farmers who have suffered an agricultural disaster as described above. Applications are assessed on need and the Corporation acts as a lender as a last resort.

APPLY TO: Alberta Agricultural Development Corporation District Loans Officer - Page 13.

B. FARM LOAN GUARANTEE PROGRAMS

The loan guarantee programs were designed by the Agricultural Development Corporation to help develop and maintain viable family farms. These programs are designed to complement the programs offered through other lenders.

1. SPECIFIC GUARANTEE LOANS

PURPOSE: This program is designed to assist primary producers to develop or maintain viable farms by providing 100 per cent guarantees of financing obtained from another lender.
Funds may be used for the purchase of any agricultural assets, operating capital or debt consolidation.

AMOUNT OF LOAN: There is no limit on the amount of the loan that can be guaranteed.

TERMS: a) the length of loan is based on the purpose of the loan (short life expectancy assets over shorter terms).
b) Repayment installments must be made at least annually.
c) Blended payments of principal and interest will apply for fixed interest loans; however, the amortization period must not exceed the maximum repayment terms stipulated.
d) Operating loans are made for one-year terms.
e) A loan may be paid out at any time without notice, bonus or penalty.

INTEREST RATES:

a) For repayment periods of ten years or less, the maximum rate charged may be up to a lender's prime rate plus 1 per cent.
b) For loans exceeding ten years, the maximum charge may be up to 1.5 per cent over prime.
c) Guarantees may be given on fixed interest rate loans.

2. ALBERTA FARM DEVELOPMENT LOANS (A.F.D.L.)

To assist primary producers in obtaining quick access to reasonable cost, short and intermediate term financing. This is accomplished by ADC providing banks, credit unions and the Alberta Treasury Branch with a blanket guarantee of the lending. The lender providing the financing determines whether or not the loan will be made.

PURPOSE: Loans may be used for purchase of farm land; funds for operating capital; constructing, altering, repairing or extending buildings on farmland owned or being purchased by the borrower, including the purchase of mobile homes and other homes; permanent improvements designed to increase productive value of farm lands; purchase of farm equipment or stock; milk quota; major repairs or overhaul; and refinancing the principal balance outstanding on interest-free loans granted by manufacturers for the purchase of agricultural implements and equipment, where the interest-free period has not expired. Loans may also be used for consolidating farm-related trade accounts payable.

AMOUNT OF LOAN: Loans up to a total of $100,000 may be made to an individual, partnership or company.

TERMS: The length of the loan is based on the purpose of the loan. Repayment installments must be at least annually. At the option of the lender, payments may be scheduled more frequently. Loans for consolidating farm-related trade accounts may be made with repayment terms of up to 10 years, depending on security available. Blended payments of principal and interest will apply for fixed interest loans; however, the amortization period must not exceed the maximum repayment terms stipulated. Repayment of principal may be deferred for a period of up to two years from the date of loan approval, for loans made for the purposes of purchasing cattle for breeding, and/or to permit existing heifers to be retained for breeding. Operating loans are made for one-year terms. A loan may be paid out at any time without notice, bonus or penalty.

Interest Rates:

a) For repayment periods of ten years or less, the maximum rate charged will be the lender's prime rate plus one per cent.
b) For loan terms exceeding ten years, up to 1.5 per cent over prime may be charged.
c) Fixed interest rates which are negotiated between the lender and the borrower are available for all-loan purposes.

AVAILABLE TO: Farmers or farming partnerships or companies who are, or intend to be, primary producers of agricultural products in Alberta.

APPLY TO: The applicant should apply to the lender of his choice. All major banks, Treasury Branches and credit unions have access to the program.

GUARANTEED LOAN INCENTIVE PROGRAMS

Alberta farmers have an opportunity to take advantage of a variety of incentive programs offered through the Agricultural Development Corporation. The incentive programs are designed to improve net farm income by promoting increased efficiency and productivity.

2. a) Range and Soil Improvement Program

PURPOSE: To increase farm and ranch income by assisting and promoting land improvement and development measures that will increase land productivity. Eligible projects include:

a) Brushing and/or breaking previously uncultivated land for agricultural purposes.
b) Seeding pasture and haylands to suitable tame species on soils with adequate potential.
c) Purchase and application of agricultural lime or marl to reduce soil acidity (a lime requirement soil test is a prerequisite for this purpose).
d) Deep plowing (18 to 24") of solonetzic soils (prior inspection and approval by Alberta Agriculture Soil Specialist is required).
e) Brush control through mechanical or biological means.
f) Fence construction to facilitate grazing rotations and grazing utilization or to facilitate the use of additional areas by grazing animals.
g) Trails to improve animal access (in bush covered areas).
h) Poisonous plant control and range weed control.
i) Drainage where necessary to develop small depressional areas. (Approval in writing by Alberta Environment may be required).
j) Land levelling to facilitate irrigation. (This does not include any costs involved with relocating irrigation ditches).
k) Dugout construction to facilitate summer water supply on pasture. The dugout must be less than 2500 cubic yards in size and will not qualify for assistance under the P.F.R.A. program.

AMOUNT OF LOAN: As per A.F.D.L. For each individual farm or ranch, a maximum loan of $10,000 is eligible for an incentive. Partnerships and corporations are eligible for incentives on $10,000 for the first family, plus $5,000 for each additional family, to a maximum of $20,000. All families must be actively involved in the farming or ranching operation.

Incentive: The amount of incentive will be determined from the original loan amount eligible and will be the lesser of:

i) 7 per cent or

ii) one-half the aggregate of 1 per cent and the average ADC prime* rate as determined on the 1st day of every month during the period of one year in respect of which the incentive is payable.

Incentives will be paid annually for five years and total incentives paid cannot exceed the actual total interest paid by the applicant.

TERMS: As per the A.F.D.L.

Guarantees can be provided on loans with repayment periods of up to 15 years, depending on the loan purpose and security held.

OTHER CONDITIONS: The applicant must request payment of his incentive annually after a complete installment of principal and interest has been paid. This request must be received by ADC every year the incentive is payable, within six months of the loan's anniversary date. The borrower must request that the lender complete a lender's report, and request that the District Agriculturist inspect the project every year the incentive is payable and within six months of the loan anniversary date.

AVAILABLE TO: Alberta farmers and ranchers who own land or lease Crown land leading to title.

APPLY TO: Contact your nearest District Agriculturist to determine if your project is eligible for the incentive, at which time an application will be completed. Funding for the project must then be obtained through a lender of your choice under the A.F.D.L. guarantee.

2. b) Sheep Producers' Incentive Program

PURPOSE: To improve the productivity and viability of the sheep industry in Alberta by making financing available with special terms and conditions.
Loan funds may be used for purchasing or modifying specialized equipment required for sheep production; construction, alteration or repair of buildings used in sheep production, including feedlot facilities; construction, alteration or repair of electric page-wire, wooden or barbed wire fences and corrals; purchase of breeding stock; or other purposes approved by ADC.

AMOUNT OF LOAN: As per A.F.D.L. maximum loan eligible for incentive is $40,000.

Incentive: The amount of incentive will be determined from the original loan amount eligible and will be the lesser of:

i) 7 per cent or

ii) one-half the aggregate of 1 per cent and the average ADC prime* rate as determined on the 1st day of every month during the period of one year in respect of which the incentive is payable.

Incentives will be paid annually for five years and total incentives paid cannot exceed the actual total interest paid by the applicant.

* ADC prime is equivalent to the prime rate in effect at a Canadian Chartered Bank.

TERMS: As per the A.F.D.L. Guarantees can be provided on loans with repayment periods of up to 15 years, depending on the loan purpose and security held.

OTHER CONDITIONS: Applicants may be required to participate in a study course in sheep production, accept counselling, or provide an annual farm production plan. The request for incentive must be submitted annually by the applicant, after a complete installment of principal and interest has been paid. This request must be received by ADC within six months of the loan's anniversary date. The borrower must request the lender to complete a lenders report and request the ADC loans officer to inspect the project every year the incentive is payable and within six months of the loan's anniversary date.

AVAILABLE TO: Potential or established sheep producers in Alberta, who are the owners or operators of a farming or ranching enterprise.

APPLY TO: Contact your nearest ADC Loans Officer to determine if your project is eligible for the incentive, at which time an application will be completed. Funding for the project must then be obtained through a lender of your choice under the A.F.D.L. guarantee.

2. c) Vegetable and Potato Storage Program

PURPOSE: To improve the productivity and viability of the vegetable industry in Alberta. Loan funds may be used for constructing, modifying or improving new or existing potato and vegetable storage facilities, including ventilation, humidification and refrigeration equipment; improving product handling capabilities in and out of storage, including installation of cement floors or cooling rooms; and purchasing equipment, such as bin loading and unloading equipment, washing, waxing, grading and handling equipment, but excluding motorized mobile equipment.

AMOUNT OF LOAN: As per A.F.D.L. The maximum loan amount eligible for incentive is $100,000.

Incentive: The amount of incentive will be determined from the original loan amount eligible and will be the lesser of:

i) 7 per cent or

ii) one-half the aggregate of 1 per cent and the average ADC prime* rate as determined on the 1st day of every month during the period of one year in respect of which the incentive is payable.

Incentives will be paid annually for five years and total incentives paid cannot exceed the actual total interest paid by the applicant.

TERMS As per A.F.D.L. Guarantees can be provided on loans with repayment periods of up to 15 years, depending on the loan purpose and security held.

*ADC prime is equivalent to the prime rate in effect at a Canadian Chartered Bank.

OTHER CONDITIONS: Approved applicants must request payment on the incentive annually, after complete installment of principal and interest has been paid. This request must be received by ADC every year; the incentive is payable within six months from the loan's anniversary date. The borrower must request the lender to complete a lender's report, and request the ADC Loans officer to inspect the project each year the incentive is payable and within six months of the anniversary date of the loan.

AVAILABLE TO: Potato growers who are licensed by the Alberta Potato Commission and vegetable growers who are members of the Alberta Fresh Vegetable Marketing Board.

APPLY TO: Contact your nearest ADC loans officer to determine if your project is eligible for the incentive, at which time an application will be completed. Funding to complete the project must then be obtained through a lender of your choice under the A.F.D.L. guarantee.

3. FARM DEVELOPMENT GUARANTEE PROGRAM

PURPOSE: This program is designed to assist farmers in obtaining adequate operating capital to allow them to continue with operations.

TERMS: Special assistance operating loan guarantees of up to $ 100,000 of new operating loan advances are provided to farmers who develop a workout plan and who cannot obtain financing elsewhere.

- Loan guarantees under this program will be issued for up to one year with a possible one year renewal during the first two years of the program.
- Loan guarantees will bear interest at the lenders' prime interest rate.
- Applicants have to put together a workout plan acceptable to ADC that shows the farming operation has a reasonable chance to succeed.
- Applicants must be prepared to accept counselling and demonstrate a willingness to make changes in management practices if required.
- The ADC Farm Development Guarantee Program will apply only to new operating loan advances and cannot be used to replace or reduce financing by banks and other commercial lenders.
- Applications will be accepted until December 31, 1987.

AVAILABLE TO: Farmers whose net worth does not exceed $500,000 and whose equity in the operation does not exceed 50 per cent of the value of the assets.

APPLY TO: Alberta Agricultural Development Corporation District Loans Officer.

C. AGRIBUSINESS LOAN PROGRAM

PURPOSE: The objectives of this program are to assist new and existing agribusinesses increase the processing of agricultural products in Alberta, to provide necessary services to primary producers and to expand the economic base of rural centers.

Loans are available to agricultural businesses for buildings, land, equipment and permanent improvements.

Loans for operating funds and financial restructuring will normally be guaranteed loans.

AMOUNT OF LOAN: Loan amounts will be established according to the loan purposes and the business' ability to repay.

Applicants are expected to contribute adequate equity.

Initially consideration will be given to guaranteed financing. If the company requires a fixed rate term loan due to the nature of its operations, or it cannot find a lender who will accept a guarantee, direct lending by ADC may be considered.

TERMS: Direct loans may be amortized over periods of up to 15 years. Guaranteed loans may be made for periods of up to 15 years.
A loan may be paid out at any time without notice, bonus or penalty.

Interest Rates:
Specific guaranteed loans are made at a maximum of the lender's prime rate plus 1 per cent, for terms of up to ten years, or plus 1.5 per cent for terms of 10 to 15 years.
The direct loan interest rate will be the rate in effect at the time of loan approval.

AVAILABLE TO: agribusiness enterprises that:

a) process, manufacture, alter, or package agricultural commodities into food or feed products.
b) provide necessary services to primary producers.
c) cannot obtain financing elsewhere at reasonable terms.
d) cannot demonstrate adequate repayment ability based on projected profit and loss statements and cash flow forecasts.
e) have the appropriate experience and management ability.

APPLY TO: Alberta Agricultural Development Corporation District Loans Officer.

Alberta Agricultural Development Corporation
District and Regional Office Locations

Camrose Head Office	4910 - 52 St. (Direct Line from Edm. 421-8911)	679-1311
Airdrie	Bag Service No. 1	948-5101
Athabasca	Box 480	675-2252
Barrhead - Regional	Box 1540	674-8258
District	Box 850	674-8213
Bonnyville	Box 160	826-3388
Brooks	Box 788	362-5551
Calgary	911 - 32 Ave. NE	297-6281
Camrose	4909C - 48 Street	679-1229
Cardston	Box 670	653-3130
Claresholm	Box 40	625-3301
Drumheller	Box 578	823-5740
Edmonton	3rd.Flr., 7000 - 113 Street	427-2450
Evansburg	Box 248	727-3673
Fairview - Regional	Box 819	835-4975
District	Box 819	835-4975
Falher	Box 90	837-2211
Fort Vermilion	Box 40	927-3712
Grande Prairie	10320-99 St. Provincial Building	538-5280
Hanna	Box 349	854-5500
Lacombe	Bag Service 47	782-3301
Lethbridge	Agriculture Centre	381-5102
Medicine Hat	770 - 6 Street SW	529-3616
Olds	Box 250	556-4220
Peace River	Bag 900, Box 20	624-6170
Red Deer - Regional	4920 - 51 Street	340-5326
District	4920 - 51 Street	340-5364
Smoky Lake	Box 70	656-3613
Spirit River	Box 189	864-3597
Stettler	Bag Service 600	742-4481
St. Paul	Box 188	645-6301
Taber	Box 640	223-7908
Three Hills	Box 790	443-5503
Two Hills	Box 487	657-3311
Vegreville	Box 519	632-5400
Vermilion - Regional	Box 600	853-8109
- District	Box 600	853-8101
Vulcan	Box 480	485-2236
Wainwright	Box 459	842-6126
Westlock	Box 429	349-4465
Wetaskiwin	5201- 50 Avenue	352-1243

II FINANCIAL MANAGEMENT SERVICES

The Province of Alberta provides three systems through which farm families may discuss their financial problems. This meets the need of farm couples who wish to talk over their financial situation with an independent third party. It provides a confidential, analytical look at their farm business and an opportunity to discuss ideas and possible solutions.

District agriculturists, district home economists and ADC Loans officers, backed up by regional farm economists, have been able to provide this service and continue to do so.

In addition, there is now a consulting program and Enterprise Counselling Service provided. Both services offer producers an opportunity to obtain an outside opinion.

A. ENTERPRISE COUNSELLING SERVICE

PURPOSE: The Enterprise Counselling Service made available through ADC is an extension of existing counselling services aimed at assisting farmers experiencing severe financial problems. This service is provided on a one-to-one basis and will give producers the opportunity to work through problems with the help of a counsellor, knowledgeable in agriculture. Alternatives will be considered to arrive at a solution that is in the best interest of the farmer.

Counsellors will be respected farmers, businessmen or professionals with related experience in agriculture, and who are recognized as sound financial managers. They will be located throughout the province, so counselling services will be readily available in every region of the province. Farmers will be assured that the counsellors will hold the farmer's business affairs in total confidence.

TERMS: ADC will pay counsellors for their services and other approved expenses.

AVAILABLE TO: Any farmer, regardless of assets or net worth, who is experiencing severe financial problems. This service is also available to any farmer irrespective of who his creditors may be.

APPLY TO: Contact your nearest district office of Alberta Agriculture and ADC.

B. FINANCIAL MANAGEMENT CONSULTING SERVICE

PURPOSE: To provide independent, confidential assistance to farm families in the area of financial management by:

- assisting in the preparation of statements which describe the present financial situation of the farm business
- help identify problem areas
- assisting them in determining viable alternatives to improve profitability and cash flow, and working out these plans for the coming year
- assisting farmers to make preparations for discussing their proposals with lenders.

The consultants are experienced farmers, businessmen or professionals. They have training, related experience, and skills in farm finance and management. Farmers are assured that the consultants will hold the farmer's business affairs in total confidence.

TERMS: Consultant fees will be paid by Alberta Agriculture.

AVAILABLE TO: Farm businesses that in one or two years, without improved financial or production management, may find themselves short of funds to meet their financial commitments.

APPLY TO: Contact your nearest district office of Alberta Agriculture and ADC.

COMPARISON CHART OF LONG TERM FINANCI

	SCOTIA BANK	BANK OF MONTREAL	BANK OF B.C.	BANK OF COMMERCE	ROYAL BANK	TORONTO DOMINION	TI
	Farm Service	Farm Mortg.	Westbank Agri-Plan	Farm Service	Royfarm	Farm Loan	Ag Agr
Amount of Loan:							
Minimum Dollar Amount	25,000		500,000			25,000	
Max. Dollar Amount-Family					2,000,000		
-Partnership or Corp.							
Terms:							
Fixed Int.Rate available	Y	Y	Y	Y	Y	Y	
No. of years fixed	1 - 5	1 - 5	1 - 5	1 - 5	1,3&5	1 - 5	1
Float. int. rate available	Y	Y	Y	Y	Y	Y	
Amort. period for loans	Max.25	Max.25	Max.25	Max.25	Max.25	Max.25	Me
Amort. period debt. cons.	Max.20	Max.25	Max.25	Max.25	Max.25	Max.25	Me
Repayment Options:							
- Monthly, quarterly, semi-annual, annual princ.	Y	Y	Y*11	Y	Y	Y*4	
- Int. monthly @ FBD Bank							
Prepayment Allowed:	Y	Y	Y	Y	Y	Y	
Prepayment condition	*6	*7	N	*8	*8	*8	Y
-max. % original principal	10%	10%	20%	10%	10%	10%	N
- at anniversary date	Y		Y	Y	Y	Y	
- at payment date			N	N	N	N	
- at renewal date			Y	Y	Y	Y	
- at any time	Y	Y	N	N	N	N	
Security:							
Loans limited to % of value of land & buildings	75	75	75	75	75	70	7C

NOTE: Turn to page 17 for particulars.

NANCING AVAILABLE TO ALBERTA FARMERS

NTO INION	TREASURY BRANCH	BANK OF ALBERTA	CREDIT UNION	FEDERAL BUSINESS DEVELOP. BANK	FARM CREDIT CORP.	AG. DEVELOPMENT CORP.		
rm n	Agri-Plan *1 Agri-Term	Agric. Loans	Farm Lending	Farm Mortg.	Standard Loans	Beg.& Dev. Farmer	Spec. Loan Guarant.	Disaster Assist. Guarant. *2
,000					350,000 600,000	200,000 600,000		200,000
5 25 25	Y 1 - 5 Y Max.25 Max.25	Y 1 - 5 Y Max.20 N/A	Y 1 - 3 Y Max.25 Max.25	Y 1-5,7 Y Max.15 Max.15	Y 1,5,10,15,20 N Max.29 Max.29	Y *3 5 N Max.30 Max.20	N bank Max.15 Max.15	Y 5 Y Max.30 N/A
	Y	Y	Y	Y	Y	Y *5	Y	Y
	Y Y *12 NLt. Y Y N	Y N *9 NLt. Y	Y N NLt. Y	Y *9 NLt. Y	Y *10 NLt. Y with penalty	Y N NLt. Y	Y N NLt. Y	Y N NLt. Y
	70-75	75	75	flex	100%	80 Dev. 100 Beg.	80	80

N - NO
Y - YES
N/A - NOT APPLICABLE
NLt.- NO LIMIT

PARTICULARS COMMON TO THE LONG TERM LOAN PROGRAMS

PURPOSE: The loans from lending institutions can be used for the following purposes: land and farm buildings, construction or renovations of major buildings, land improvements (i.e. clearing, breaking, irrigation and drainage), new farm homes, debt consolidation.

AVAILABLE TO: Primary Agricultural Producers (Farmers and Ranchers)

OTHER CONDITIONS: Check with your lender concerning insurance requirements, and discuss who pays for appraisal costs, legal costs and the application fee, because these will vary from institution to institution.

EXPLANATION NOTES:

*1. Fixed interest rates for 1 - 5 years are available on agri-term loans.

*2. Disaster Assistance loans may be either direct or guaranteed.

*3. Incentive of 6 per cent first 5 years for beginning farmers. Maximum asset ceiling for program is $350,000.

*4. No quarterly repayments are allowed.

*5. Consolidation loan payments must be made at least twice (semi-annually) or more per year.

*6. Prepayment of 10 per cent of the original principal amount is allowed on the anniversary date without penalty. Any additional prepayments are permitted only after the lock-in period (outlined below) and are subject to a 3 months interest penalty calculated on the amount prepaid in excess of the allowed 10 per cent.

Term	Lock-In
1 year	3 months
2 years	1 year
3 years	2 years
4 years	3 years
5 years	3 years

*7. 5 year term mortgages can be paid out in part or in full only after 3 years (4 years after 3 years, 3 year term mortgages after 2 years, 2 years after 1 year) with a 90 day interest penalty on prepayment above 10 per cent of original principal. A 10 per cent prepayment is allowed annually with no penalty. 1 year term mortgages can be paid out in part or in full at any time on payment of a 3 month penalty.

*8. There is a 3 month penalty on prepaid principal: a) that is above 10 per cent of original principal when paid only at specified date. b) if prepayment is made at other than specified date.

*9. Penalty is a minimum of 3 months interest on prepaid principal.

*10. Penalty is up to 3 months interest prepaid principal.

*11. On anniversary date an additional amount of principal can be prepaid not in excess of 20 per cent of the original principal amount or, by increasing for a period of one year the amount of each of the monthly installments of principal and interest set out in the mortgage by an amount not exceeding 20 per cent thereof. Prepayment of total amount is permitted by way of a bonus which is the total of $500 and loss of income based on the differential rate.

*12. Three months interest penalty if paid out by another financial institution on agri-term loans only.

III FARM CREDIT CORPORATION

A. FARM CREDIT

PURPOSE: To purchase farm land, make permanent improvements, purchase breeding stock and farm equipment, pay debts, or for any purpose that will facilitate the efficient operation of the farm.

AMOUNT OF LOAN: The maximum loan to a single farm business is $350,000 when there is one qualifying applicant and $600,000 when there is more than one qualifying applicant. The appraised value of the available security is also considered.

TERMS: 5, 10, 15, 20 year terms, with an amortization rate from 5 to 29 years. The terms vary depending on loan purpose, repayment ability and nature of the farm operation.

Interest rate will be reviewed monthly. Interest rates as of Nov. 1, 1986 are:

5 year term	10.75%	
10 year term	11%	compounded semi-annually
15 & 20 year term	11%	

The interest rate charged by the Corporation is set when the loan is made for the term and will be reviewed upon renewal. Loans may be repaid at any time without notice, but are subject to penalty not exceeding three months' interest. Loans are secured by a mortgage on real estate and, where necessary, on other security.

AVAILABLE TO: Standard Farm Loans - Applicants must be principally occupied in farming, or about to become full-time farmers at the time of the loan.

Beginning Farmer Loans - Beginning farmers may retain off-farm employment that is essential to develop an economic farm business, providing farming becomes their principal occupation within five years.

OTHER CONDITIONS: A number of factors must be considered by the applicant and the Farm Credit Corporation before a loan is agreed upon, i.e. a) repayment ability, b) management ability, c) need for Farm Credit Corporation financing, d) citizenship (must be a Canadian Citizen or permanent resident), e) Age (must be age of majority).

APPLY TO: The local Farm Credit Corporation field office. (See page 20).

B. FARM CREDIT - SHARED RISK MORTGAGE

PURPOSE: Purchase farm land, make permanent improvements, purchase breeding stock and farm equipment, pay debts, or for any purpose that will facilitate the efficient operation of the farm.

AMOUNT OF LOAN: The maximum loan to a single farm business is $350,000 when there is one qualifying applicant and $600,000 when there is more than one qualifying applicant. The appraised value of the security is also considered.

TERMS: Six year, renewable term, interest rate adjusted annually, an interest rate increase ceiling of two and one half per cent over the six year term, choice between two payment options - fixed and variable, option to convert to any other FCC mortgages on any anniversary date without prepayment penalty.

INTEREST RATE: As of November 1, 1986 - 10.75 per cent with a ceiling rate of 13.25 per cent.

OTHER CONDITIONS: The borrower must be of legal age, be a Canadian citizen or permanent resident, have farming as his or her principal occupation, demonstrate repayment ability, be able to show need for an FCC loan and have adequate security. There is no prepayment penalty on the annual adjustment date.

APPLY TO: The local Farm Credit Corporation field office.

C. FARM SYNDICATE LOANS

PURPOSE: To purchase mobile machinery, fixed equipment or buildings on a syndicate basis.

AMOUNT OF LOAN: Up to $15,000 per syndicate member; maximum of $ 100,000 per syndicate or 80 per cent of actual price of machinery, whichever is less.

TERMS: Interest as of Nov. 1, 1986 is 10.75 per cent. Interest rates are revised periodically. Once a loan is approved, the rate established at date of approval remains in effect for the duration of the loan.

AVAILABLE TO: Any three or more individual farmers per syndicate. Principal occupation of the majority of the members must be farming.

APPLY TO: Local Farm Credit Corporation field office.

D. COMMODITY-BASED LOANS

ELIGIBILITY: Existing FCC borrowers with loans outstanding prior to February 26, 1986 which may have been obtained in his own right or by assumption.

SECURITY: The amount of a Commodity-based loan plus any prior charges cannot exceed 80 per cent of the value of the security available.

TERMS & CONDITIONS: Commodity-based loans are written for 10 year terms with a 20 year amortization period. At the end of the 10 year term, the borrower is able to pay the loan out completely or will be offered whatever type of loan is available from the Corporation at the time.

INTEREST RATES:
- Based on rates in effect November 1, 1986.
- fully indexed: 6 per cent equity must be less than 40 per cent.
- partially indexed: 8.5 per cent equity must be between 41-55 per cent.
- registered mortgage rate: 13.0 per cent.
- arrears rate: 11 per cent.

AMOUNT OF LOAN: The maximum loan to a single qualifying applicant is $350,000; when there is more than one qualifying applicant $600,000.

INDEXING: The interest rate on Commodity-based loans is fixed for the 10 year term of the loan, however the principal portion of the loan is indexed annually according to the change in the index of the commodity chosen by the borrower at the time of application.

Farm Credit Corporation field offices are located in:

Athabasca	Edmonton	Lacombe	Vegreville
Barrhead	Evansburg	Lethbridge	Vermilion
Brooks	Fairview	Medicine Hat	Wainwright
Calgary	Falher	Peace River	Westlock
Camrose	Grande Prairie	Stettler	Wetaskiwin
Drumheller	Hanna	St. Paul	

or, for further information contact:

Farm Credit Corporation
Continental Bank Bldg.
Suite 1550, 10250 - 101 Street
Edmonton, Alberta
T5J 3P4 (Phone 420-6751)

IV FEDERAL BUSINESS DEVELOPMENT BANK

PURPOSE: May be used for any sound Canadian business project.

AMOUNT OF LOAN: No fixed limits. Financing is available by means of loans, loan guarantees, equity financing, or by any combination of these.

TERMS: Two methods of interest payments are available: fixed or floating. The rate is established at the time of loan authorization. The base fixed rate on Nov. 21, 1986 was 12 per cent for one year fixed, 12.5 per cent for two, three, four, five or seven years fixed (subject to change at any time). Rates are fixed for one, two, three, four, five or seven years.

The minimum floating rate on Nov. 21, 1986 was 11.50 per cent. The rate is subject to change at any time.

Interest payments are required monthly, but principal payments may be varied to fit the income cycle.

A schedule of penalties is applied on loan prepayments.

AVAILABLE TO: The Federal Business Development Bank will consider lending to businesses whose credit requirements are not readily available from other lenders at reasonable terms and conditions.

APPLY TO: The nearest Federal Business Development Bank office.

Federal Business Development Bank Offices

Calgary North	3015-12 St. N.E.	T2E 7J2
Edmonton	10303 Jasper Avenue	T5J 3N6
Grande Prairie	10135 - 101 Avenue, P.O. Box 10	T8V 0Y4
Lethbridge	740 - 4 Avenue South	T1J 0N9
Red Deer	Riverside Office Plaza 4919 - 59 Street	T4N 6C9

V CANADIAN WHEAT BOARD

A. ADVANCE PAYMENTS FOR THRESHED GRAIN

PURPOSE: To provide cash to producers who are unable to deliver grain due to congestion in country elevators.

AMOUNT OF ADVANCE: The producer's entitlement for an advance is determined by the quota acreage for wheat, oats and barley, as shown in his permit book and on the quantity of threshed grain in storage on the farm that is eligible for delivery to the Board.

The quota acres are multiplied by a prescribed quota factor and a value per tonne for each grain to determine the advance payment entitlement for the type of grain. Adding the entitlement for wheat, oats and barley provides the producer with his total advance payment entitlement. Any deliveries of wheat, oats or barley made prior to the date of the advance payment during that crop year, and any grain undelivered under general Board quotas which have terminated, would reduce the entitlement accordingly.

The maximum advance entitlement for an individual producer is $30,000.00.

For a corporation, partnership, colony, cooperative, or business enterprise with three or more shareholders, partners or members, the maximum advance may be increased to $90,000.00. Applications from these producers must be verified by the Canadian Wheat Board before any funds are paid out.

TERMS: The advance is interest free if repaid by delivery of wheat, oats and/or barley as when delivery quotas are authorized. If the advance is refunded by cash payments of more than $500.00 or through delivery of other crops such as rye, flaxseed or rapeseed, interest is charged at the prescribed rate on the amount in excess of $500.00 from the date the advance payment is made to the date of the refund.

AVAILABLE TO: Holders of Canadian Wheat Board Permit Books.

OTHER CONDITIONS: An administrative fee of up to $5.00 may be charged and retained by the handling company.

APPLY TO: Your local elevator agent.

B. EMERGENCY ADVANCE PAYMENTS FOR DRYING DAMP OR TOUGH GRAIN

PURPOSE: To provide cash to producers to better finance the drying of damp and tough grain. Available when by reason of unusual weather conditions there are in the designated area large quantities of tough or damp grain.

AMOUNT OF ADVANCE: The producer's entitlement is determined by the total threshed tonnes of damp or tough wheat, oats or barley in storage to be dried. The total tonnes of each grain to be dried is multiplied by a prescribed rate per tonne to determine the advance payment entitlement for each type of grain.

The maximum eligible advance is $3,000 or the amount charged by a grain dryer for drying the grain whichever is the lesser amount.

TERMS: The advance is interest free, providing it is repaid by delivery of wheat, oats and/or barley as delivery quotas allow. If the advance is refunded by cash payments of more than $500 or through delivery of other crops such as rye, flaxseed or rapeseed, interest is charged at the prescribed rate on the amount in excess of $500 from the date the advance payment is made to the date of the refund.

AVAILABLE TO: Holders of Canadian Wheat Board Permit Books.

OTHER CONDITIONS: An administrative fee up to $5.00 may be charged and retained by the handling company.

APPLY TO: Your local elevator manager.

C. EMERGENCY ADVANCE PAYMENTS FOR UNTHRESHED GRAIN

PURPOSE: To provide cash to producers who are unable to thresh their grain due to unusual weather conditions.

AMOUNT OF ADVANCE: The producer's entitlement for an Emergency Advance Payment for Unthreshed Grain is determined by the anticipated quantities of unthreshed grain that will ultimately be eligible for delivery and the quota acreage for wheat, oats and barley, as shown in the producer's permit book.

The producer estimates the quantity of unthreshed grain by multiplying his unthreshed seeded acreage by the estimated yield per acre of unthreshed acreage.

The quota acres are multiplied by a prescribed quota factor and a value per tonne for each grain to determine the total calculated advance payment to which the applicant would be entitled if the grain were threshed and in farm storage. Any deliveries of wheat, oats, or barley made prior to the date of the advance payment during the crop year, would reduce the entitlement accordingly.

The maximum Emergency Advance Payment for Unthreshed Grain a producer may receive is $15,000 or one-half the total calculated advance payment for threshed grain whichever is the lesser amount. Previous current advance payments issued are also taken into consideration to determine the maximum Emergency Advance Payment possible.

TERMS: The producer pledges to thresh the grain in respect of which the Emergency Advance Payment for Unthreshed Grain is based and to deliver and sell the grain as soon as general acreage quotas allow. If the advance is refunded by cash payments of more than $500 or through delivery of other crops such as rye, flaxseed or rapeseed, interest is charged at the prescribed rate on the amount in excess of $500 from the date the advance payment is made to the date of the refund.

AVAILABLE TO: Holders of Canadian Wheat Board Permit Books.

OTHER CONDITIONS: An administrative fee up to $5.00 may be charged and retained by the handling company.

APPLY TO: Your local elevator manager.

NOTE: For the current crop year only payments on threshed grain are presently available.

VI FARM IMPROVEMENT LOAN

PURPOSE: To buy farm implements; construct, repair or alter farm homes, buildings and fences; to buy breeding livestock (including bees and fish); to buy additional farmland; to construct water and sewage disposal systems and drainage and irrigation systems; and to repair agricultural equipment (exceeding $400).

Arrangements for financing through a Farm Improvement Loan should be made prior to the purchase of an asset.

A Farm Improvement Loan cannot be used to refinance existing debts.

AMOUNT OF LOAN: Maximum loan is $100,000. The whole loan may be used for one purpose, but the maximum loan as a per cent of the cost of the asset varies. For example, the maximum loan is limited to 90 per cent of the cost to construct and repair buildings, purchase additional land and cost of permanent farm improvements; and 75 per cent of the purchase price of machinery and livestock.

TERMS: Interest rate is the lender's prime lending rate plus 1 per cent.

Maximum loan is fifteen (15) years for land, ten (10) years or the expected life of implements, equipment or motor vehicles, whichever is earlier and ten (10) years for other purposes. Loans may be retired at any time. Security is usually a preferential charge on the item purchased or a mortgage on the farm property.

Loans must be paid at least annually or more frequently, at the discretion of the lender.

AVAILABLE TO: Anyone whose principal occupation is farming and is 18 years of age or over.

APPLY TO: Any chartered bank; Treasury Branch; Credit Union; trust, loan or insurance company designated in and approved under provisions of the Farm Improvement Loans Act.

NOTE: Although scheduled to terminate December 30, 1986, this program has been extended to June 30, 1987 and is currently under review.

VII ALBERTA FARM CREDIT STABILITY PROGRAM

PURPOSE: This program makes it possible to refinance and restructure existing debt incurred in farming before July 31, 1986 and to make new purchases at reasonable terms and conditions, resulting in improved cash flow and a stronger, more viable family farm.

NOTE: You may not use the money to acquire automobiles, trucks rated three-quarter ton or less capacity, recreational vehicles or mobile homes; construct or improve residential buildings or mobile homes; or purchase residential buildings unless they are attached to land being acquired to carry on a farming business with a reasonable expectation of profit.

ELIGIBILITY: The applicant must live in Alberta, be a Canadian citizen, and meet the repayment, management and security requirements. After the loan is in place, the applicant must be actively engaged in producing primary agricultural products in the province.

New entrants to farming, as well as established farmers are eligible. This includes partnerships or corporations, as long as the operations are directed and managed in Alberta and at least two thirds of the partnerships or holders of two thirds of the equity shares meet the eligibility requirements. The remaining owners must also be residents of Alberta.

The loan must be used to enhance or maintain income in a farming operation that has a reasonable expectation of profit. There are no restrictions with respect to the levels of assets and net worth.

TERMS: The maximum original loan amount is $200,000 per farm family. A farm family includes the spouse and dependants under 18 years of age. This maximum includes any outstanding indebtedness to the Alberta Agricultural Development Corporation. Partnerships, corporations, or communal arrangements are eligible for a maximum loan amount of $600,000, depending on the number of qualifying farm families involved, and on the assets held by these families in the farm business.

You can apply for additional loans under the program from the same or another financial institution as long as loans are being made under the program and your total loans do not exceed the $200,000 maximum.

NOTE: Lending under the Alberta Farm Credit Stability Program will cease on June 30, 1989 or when the $2 billion allocated to the program has been loaned, whichever comes first.

SECURITY REQUIREMENTS: For loans to refinance or consolidate debt at the same institution, the lender will take security up to 100 per cent of the loan, if available. In no event will security be less than that already held by the lender on the debt to be refinanced.

For loans to refinance or consolidate debt owing to other lenders or creditors, loans may be made to 100 per cent of the value of the available security.

For loans to acquire new assets, the loan may be up to 80 per cent of the value of the assets being purchased. These assets and/or any other assets acceptable to the lender must be pledged as security.

Where land and building security is available, it must be granted to the lender.

REPAYMENT REQUIREMENTS: Project cash flow must demonstrate break-even after living expenses, or, if this is not readily evident, the lender must judge that you have or will have the ability to repay the loan. In all cases, the lender must believe that the farming operation has long-term viability.

REPAYMENT TERMS: A rate will be charged that is equivalent to 9 per cent interest, calculated annually except on arrears, which may bear a higher interest rate. Payments will be made over the life of the loan, consisting of: a) a blend of principal and interest; or, b) equal annual payments of principal plus interest calculated on the declining balance. Loans will be for 20 years except if a shorter term is in the best interest of the applicant and the applicant requests a shorter term.

The repayment schedule will depend on the cash flow of the particular farming operation. If the operation receives income on monthly basis, monthly payments may be required; if the farm income is irregular, payments may be made quarterly, semi-annually, or annually. Prepayment of principal will be permitted without penalty.

AVAILABLE TO: All Alberta farm families.

APPLY TO: Applicants will be taken by participating banks, Credit Unions and Treasury Branches. The institutions will assess the application, make and administer the loans under this program.

For further information phone: 1-800-232-9479 (toll free) or 422-9167 in Edmonton.

VIII CHARTERED BANKS, TREASURY BRANCHES AND CREDIT UNIONS

A. SHORT TERM AND INTERMEDIATE TERM FINANCING

PURPOSE: Short term financing is provided for current operating expenses and for purchase of feeder cattle. Intermediate term financing (up to ten (10) years) is provided for acquiring buildings, farm improvements, machinery, breeding stock and for debt consolidation.

AMOUNT OF LOAN: No fixed amount--depends on past records, financial position, net worth, repayment capacity, management ability, etc.

TERMS: The length of loan depends on the type of loan applied for and the lending institution. For example: operating credit is normally provided for one year while breeding stock and machinery are usually repaid over three (3) to ten (10) years. Interest rates are related to the lender's prime lending rate. Fixed rates for both short and intermediate terms are available at some of the lending institutions.

Certain equipment and vehicle loans can be made by utilizing the purchased asset as sole security. In many lending institutions, loans can be insured for disability and for life.

AVAILABLE TO: Eligibility will depend on availability of records to show repayment capacity, management ability, net worth and other contributing factors. Normally, credit unions require the borrower to have membership in the credit union.

APPLY TO: Any chartered bank, Treasury Branch or credit union.

B. LONG TERM FINANCING

1. BANK OF ALBERTA

PURPOSE: To purchase land, buildings, major improvements, and develop farm property (clearing, levelling).

AMOUNT OF LOAN: Up to 75 per cent of the lower of cost or appraised value of land available as security. Subject to the estimated debt servicing capacity of the applicant.

TERMS: Interest rates can either be fixed for terms of one to five years or, float based on a spread over the bank's prime rate.

Interest on floating rate loans is payable monthly.

Loans can be amortized for up to 20 years with repayment on a monthly, quarterly, semi-annual basis.

Loans are subject to annual review.

No prepayment penalty on floating interest rate loans.

A prepayment penalty equivalent to three months' interest on the amount of the prepayment applies to fixed interest rate loans.

AVAILABLE TO: Farmers, ranchers and primary agricultural producers.

OTHER CONDITIONS: Accredited appraisal of property used for collateral mortgage security. Appraisal and security preparation costs are charged to the account of the borrower.

APPLY TO: Bank of Alberta, 11350 Jasper Avenue, Edmonton, Alberta or 715 - 5th Avenue S.W., Calgary, Alberta.

2. BANK OF BRITISH COLUMBIA

PURPOSE: To finance purchase of land or buildings, major improvements, development of property and debt consolidation.

AMOUNT OF LOAN: No fixed maximum under floating rates, $500,000 maximum for fixed farm mortgages.

TERMS: Repayment terms up to fifteen (15) years for building projects and up to twenty-five (25) years for land purchases.

Interest rates are established at the time the loan is negotiated and float in relationship to the bank's prime rate. Fixed rate mortgages based on residential mortgage rates.

No penalty for prepayments for floating rates. Fixed rate penalty based on interest differential rate.

AVAILABLE TO: Farming, ranching and primary agricultural producers able to demonstrate satisfactory management and repayment ability.

OTHER CONDITIONS: Accredited appraisal of property used for collateral mortgage security is normally a requirement. Life, dismemberment and loss of sight insurance is available as an option.

APPLY TO: Any branch of the Bank of British Columbia.

3. BANK OF MONTREAL

PURPOSE: To finance farm land purchase; land improvements (irrigation, drainage, etc.); construction and renovation of buildings; consolidation of existing debt.

AMOUNT OF LOAN: No fixed amount. Loans are limited to 75 per cent of appraised value of property offered as security, with the maximum based on the farm's repayment capacity.

TERMS: Interest rates are negotiable and can either be at a floating rate related to the bank's prime lending rate, or a fixed rate based on current mortgage rates.

Interest rates can be fixed for terms of one, two, three, four or five years.

Loans may be amortized over periods up to twenty-five (25) years with repayment on a monthly, quarterly, semi-annual, or annual basis.

Prepayment of up to 10 per cent of the initial principal amount is allowed once during each year. In addition, once each year the amount of the mortgage payment can be increased by 10 per cent. Security is taken by way of a demand collateral mortgage for Agri-Credit Plan loans (floating rates) or by a first mortgage for First Bank Farm Mortgage Plan (fixed rates). In certain circumstances a second mortgage may be allowed.

AVAILABLE TO: All applicants in the business of farming and ranching able to provide the necessary security and demonstrate a sufficient potential repayment capacity.

OTHER CONDITIONS: Accredited appraisal on the land in question is normally required. Cost of the appraisal is borne by the borrower, as are related legal costs.

Creditor insurance is available up to $600,000 per individual.

APPLY TO: A local branch or commercial banking unit of the Bank of Montreal.

4. BANK OF NOVA SCOTIA

PURPOSE: To finance the purchase of agricultural land and buildings, major capital improvements, and to restructure existing debts.

AMOUNT OF LOAN: No arbitrary limit. Amount determined by cash flow and security.

TERMS: Interest rates may be fixed for up to 5 years or set on a floating basis with the bank's prime lending rate.

Loans are normally secured by a first mortgage on the farm real estate; however, second mortgages will be considered when the size and term of the previous first mortgage is favorable.

Loans are granted with up to five-year maturity and repayments are up to 25 years. Payment dates may be matched to the cash flow of the particular farming operation and as such may be on a monthly, quarterly or semi-annual basis.

AVAILABLE TO: Farmers who have good collateral and a proven cash flow.

OTHER CONDITIONS: Prepayment of loans of up to 10 per cent of outstanding principal is permitted once a year, without payment of penalty, on the loan anniversary date on fixed rate loans. Floating rate loans may be repaid from cash earnings or asset sales without payment of penalty at any time.

APPLY TO: Any Scotiabank branch.

5. CANADIAN IMPERIAL BANK OF COMMERCE

PURPOSE: To help finance land purchases; major buildings; equipment and other capital improvements; and debt restructuring.

AMOUNT OF LOAN: No fixed maximum; limit determined by debt-servicing ability and security offered.

TERMS: Floating rate loans with fixed principal repayment plus interest at a rate which floats in relationship to the bank's prime rate; repayable up to 25 years.

Fixed rate loans - amortized payments with the rate established at the time of the loan is negotiated for terms up to 5 years, repayable up to 25 years. Repayment may be monthly, quarterly, semi-annually or annually, depending on cash flow. A second mortgage may be acceptable depending on the size and terms of existing mortgage.

AVAILABLE TO: Bona fide agricultural producers who can demonstrate a sufficient level of management and repayment ability.

OTHER CONDITIONS: Accredited appraisal on land in question may be required to determine sufficiency of applicant's equity. A prepayment of 10 per cent may be made on each anniversary date without penalty. Life insurance available up to $750,000 per individual.

APPLY TO: A local branch of the Canadian Imperial Bank of Commerce.

6. CREDIT UNIONS

PURPOSE: To finance land purchase, construction of new homes and other farm buildings; and expenditures for other permanent farm improvements.

AMOUNT OF LOAN: No fixed amount. Depends on past records, security available, and repayment capacity.

TERMS: Interest rates float in relation to the local credit union's prime lending rate.

Loans are normally secured with a first mortgage and amortized for periods up to 25 years. Interest rates may be fixed for three-year periods and renegotiated at the end of each period, or may float with the local credit union's prime lending rate.

AVAILABLE TO: Bona fide farmers who are members of the credit union.

OTHER CONDITIONS: There are no acquisition fees or prepayment penalties on the loan.

APPLY TO: The local credit union.

7. LLOYDS BANK CANADA

PURPOSE: To purchase land, buildings, major capital improvements, and debt restructuring.

AMOUNT: No fixed maximum. Normal guidelines of up to 75 per cent of appraised value of land, buildings and improvements.

TERMS: Up to 25 years amortized with maximum term of 5 years. Fixed interest rates or float based on a spread over prime with flexible repayment (monthly, quarterly, semi-annual, annually) depending upon timing of cash flow--interest payable monthly.

AVAILABLE TO: Clients whose primary income source is from an agricultural operation. Must demonstrate satisfactory management, ability to repay, and available security.

OTHER CONDITIONS: Appraisal cost borne by applicant. Long term financing will generally only be considered as part of an overall financing package.

SECURITY: Collateral first mortgage, chattel mortgage, disability and life insurance usually required, especially if a family operation.

APPLY TO: Any branch of Lloyds Bank Canada.

8. THE ROYAL BANK OF CANADA

PURPOSE: Royfarm mortgage loans are available for the purchase of land, buildings, major permanent improvements to property, machinery and equipment and, where appropriate, for debt consolidation.

AMOUNT OF LOAN: Loans to a maximum of $2 million are available. The size of mortgage loan will depend on the purpose for which funds are being sought, shareholders, owners equity, net worth of the business, historical earning power, projected earning power and repayment capacity, management ability of the operator and security available to protect advances.

Loans are available for up to 75 per cent of the appraised fair market value of land available for security.

TERMS: The Royfarm Mortgage Program offers fixed interest rate mortgage loans, where the rate is negotiated and fixed for either a one, three, or five-year period at the time the loan is granted, and offers floating interest rate mortgage loans as well. The rate on floating interest mortgages is negotiated on a prime plus basis, but monthly, quarterly semi-annually or annual payments are fixed for periods of three years with appropriate adjustments being made at the end of each period.

Loans are amortized for periods from ten to twenty-five years with monthly, quarterly, semi-annual and annual repayment options.

A prepayment of 10 per cent may be made on each anniversary date without penalty.

AVAILABLE TO: Farmers who can demonstrate satisfactory evidence of management and repayment ability.

OTHER CONDITIONS: All property required for mortgage security will be appraised by a qualified rural appraiser appointed by the bank after a credit application has been authorized. The borrower pays a negotiation fee of $350 for the mortgage and the bank pays the cost of the appraisal. Life insurance is available.

APPLY TO: Any branch of the Royal Bank of Canada.

9. TORONTO DOMINION BANK

PURPOSE: To finance farm land purchases; construction or renovation of major buildings; improvements to land such as clearing, breaking, irrigation or drainage; and debt consolidation.

AMOUNT OF LOAN: Loans will be granted on the basis of repayment ability. Minimum loan is $25,000 and there is no maximum.

TERMS: Interest rates may be floating or fixed. With floating rate loans, the interest rate floats in relationship to the bank's prime lending rate. With fixed rate loans, the interest rate is established at the time the loan is negotiated and fixed for a term of up to five years.

Loans may be amortized for a minimum of ten years to a maximum of 25 years.

Repayments may be on a monthly, semi-annual, or annual basis, to fit the cash flow of the business. In some cases, second mortgage security may be acceptable depending upon the size and terms of the existing first mortgage.

AVAILABLE TO: Commercial agricultural producers.

OTHER CONDITIONS: Life insurance is available for line of credit up to $1,000.000. Pre-payment privileges of up to 10 per cent of the original loan are permitted annually, at any time during the year.

APPLY TO: A branch of the Toronto Dominion Bank.

10. TREASURY BRANCHES

TYPE OF LOANS: (A) Agri-Plan
(B) Agri-Term

PURPOSE: (A) & (B) To finance farm land purchases; construction, repair and renovation of buildings; and major improvements to existing land.

AMOUNT OF LOAN: (A) & (B) Loans are limited to 70 - 75 per cent of the security pledged.

TERMS: (A) Interest rate fluctuates with the Treasury Branch prime rate. Loans secured with a first mortgage are amortized over twenty (20) years while loans secured with a second mortgage are amortized over ten (10) years.

(B) Interest rate is fixed for one, two, three, four or five year terms with annual, semi-annual, quarterly or monthly payments amortized for periods up to 25 years. Loans are renewable upon expiry of the one, two, three, four or five year term, at the interest rate in effect at date of renewal.

AVAILABLE TO: (A) & (B) All farmers and ranchers whose livelihood is farming and who are residents of Alberta, are capable of providing the required security and demonstrate the potential of sufficient repayment ability are eligible.

OTHER CONDITIONS:
(A) or (B)
- The applicant's 25 per cent participation of the total funds expended can either be by cash injection or in value of land pledged as security.
- No interest penalty on prepayments, which can be made at any time.
- Life insurance coverage up to $300,000 is optional.
- No application or commitment fees.
- Legal and appraisal fees, if any, are charged to the borrower.

NOTE: On Type (B) payout penalty exists if paid out by another financial institution.

APPLY TO: Local branch of the Treasury Branches.

IRRIGATION DEVELOPMENT LOAN

PURPOSE: The Irrigation Loan program is designed to provide an agricultural loan program at a fixed floating interest rate, to assist water users to develop irrigable land, both owned or leased.

Repayment of principal may be deferred for a period of up to two years from the date of the loan.

The loan will be established to provide for the capitalization of the interest payable on the first anniversary date of the loan.

Loans under the Irrigation Loan program may be used for the following purposes:

- break, level or contour the land of an irrigation site
- install above surface or subsurface pipe
- construct and/or install a pumping station and/or mini-reservoir
- install three phase power
- develop proper soil drainage
- purchase and installation of irrigation equipment and sprinklers
- cost to plant a foundation crop.

AMOUNT OF LOAN: Any amount.

TYPES OF LOANS: Fixed or floating interest rate.

INTEREST RATE: As established from time to time.

TERMS:
1. Term - two, three, four or five years or subsequent renewals of one, two, three, four or five years
2. Amortization Period - maximum 15 years or life expectancy of security, whichever is less
3. Feature - first year's interest capitalized and amortized over original loan to allow for establishment year
4. Repayment - monthly, quarterly, semi-annual, annual
5. Prepayment - allowed on anniversary date in whole or in part
   - three month interest penalty if paid on any other day than anniversary.

CONDITIONS: 1. Borrower's Participation - 30% chattel security
- 25% real estate security

This participation will be based on the total loan, including capitalization of the first year's interest, when applicable.

APPLY TO: Local Branch of the Treasury Branches.

VIII FEEDER ASSOCIATION GUARANTEED LOAN

PURPOSE: Funds are provided for the purchase of feeder cattle and lambs. The use of funds for the purchase of livestock for breeding purposes is strictly forbidden.

AMOUNT OF LOAN: A local incorporated association receives application for livestock from its members and may approve loans up to $20,000 for new members and up to a maximum of $50,000 for experienced members.

TERMS: Deposits of $50 for every $1,000 borrowed are placed in trust with the association. The interest rate to the member is based on the rate the association is able to obtain funds from the bank, which is usually close to the bank's prime lending rate.

The association will add additional charges to cover administration costs.

AVAILABLE TO: Farmer members of local feeder association.

APPLY TO: The local feeder association. Further information is also available from your local district agriculturist and/or Feeder Association Supervisor, Animal Industry Division, Edmonton (427-5096).

IX OTHER SOURCES OF CREDIT

Every attempt has been made to tabulate all the lending programs developed to meet the needs of farm business in Alberta.

Some banks, trust, mortgage and insurance companies as well as other agencies, provide credit to farmers and agribusinesses in certain situations, but do not have defined programs specifically to serve agricultural businesses in Alberta.

If the programs previously outlined do not meet your specific needs, it may be worthwhile to investigate these other sources. A number of private agricultural consulting firms have often made use of these lenders for specific clients.

AGRICULTURAL CREDIT MANAGEMENT SERVICES

Over the past year a numbe enquiries have been received as to where one may obtain assistance in analysing financial alternatives for a farm business. The following is a list of agencies and firms servicing this area.

I ALBERTA AGRICULTURE

DISTRICT AGRICULTURISTS

Provide first line of contact between the agricultural community and the department through professional counsel, with informational and educational programs and publications in the areas of: crop, livestock and other agricultural production, farm management, marketing, credit and the implications of government policy. If an inquiry is of a specific or detailed nature, the district agriculturist may refer the client to an appropriate department specialist for further information.

REGIONAL FARM ECONOMISTS

Provide educational programs and assistance to clients in analysing farm business & credit alternatives:

Located at:

REGION I - LETHBRIDGE
Reg. Agriculture Centre
Alberta Agriculture
Lethbridge, Alberta
T1J 4C7 329-5106

REGION II - AIRDRIE
Reg. Agriculture Centre
Alberta Agriculture
Bag Service # 1
Airdrie, Alberta
TOM 0B0 948-5101
Ext. 243

REGION III - RED DEER
Reg. Agriculture Centre
Alberta Agriculture
4920 - 51 Street
Box 5002
Red Deer, Alberta
T4N 5Y5 343-5358

REGION IV - VERMILION
Reg. Agriculture Centre
Alberta Agriculture
Box 330
Vermilion, Alberta
T0B 4M0 853-2811 Ext.310

REGION V - BARRHEAD
Reg. Agriculture Centre
Alberta Agriculture
Box 1540
Barrhead, Alberta
T0G 0E0 674-8258

REGION VI - FAIRVIEW
Reg. Agriculture Centre
Alberta Agriculture
Box 7777
Fairview, Alberta
T0H 1L0 835-2291 Ext.29

FARM BUSINESS MANAGEMENT BRANCH

Provides educational programs, publications and factsheets on credit and farm management topics. Provides resource support to district and regional staff in the areas of farm financial and business management.

Farm Business Management Branch
Economic Services Division
Alberta Agriculture
Box 2000
Olds, Alberta
T0M 1P0 556-4240

AGRICULTURAL LAW SOLICITORS

Provides information as to the content of all agricultural statutes and amendments, their practical application and restrictions, and recent court cases that clarify and interpret the legislation. Information may be provided through farm law seminars, lectures and private consultation.

The Agricultural Law Solicitors provide information and counselling on legal matters related to business contracts, agricultural credit (including foreclosure and bankruptcy), estate planning and business arrangements.

Colin Simmons
J.G. O'Donoghue Building
7000 - 113 Street
EDMONTON, Alberta
T6H 5T6 427-2402

Cal Brandley
Regional Agricultural Centre
LETHBRIDGE, Alberta
T1J 4C7
329-5131

II BANK AGROLOGISTS

Provide support to their bank managers and loans officers in the areas of agricultural credit use and analysis. They also provide materials to help clients assess farm credit alternatives.

BANK OF MONTREAL

Main Branch
3rd. Flr. 10199 - 101 St.
EDMONTON, Alberta
T5J 3Y4 428-7287

Chancery Hall
220 - 4th St. South
LETHBRIDGE, Alberta
T1J 4J7 329-7420

Box 578
4903 Gaetz Ave.
RED DEER, Alberta
T4N 5G1 340-6521

Commercial Account Manager
Bank of Montreal
VALLEYVIEW, Alberta
TOH 3NO 524-2920

Calgary Central
2nd Floor
340 - 7th Ave. S.W.
CALGARY, Alberta
T2P 3N9 234-3666

Commercial Banking Manager
Bank of Montreal
LACOMBE, Alberta
TOC 1SO 782-3358

BANK OF NOVA SCOTIA

Box 2540
CALGARY, Alberta
T2P 2N7 231-6656

Box 1400
1C050 Jasper Ave.
EDMONTON, Alberta
T5J 2N4 429-6238

702- 3rd Ave. South
Box 1060
LETHBRIDGE, Alberta
T1J 4A2 327-5794

CANADIAN IMPERIAL BANK OF COMMERCE

Box 2585
505 - 5 St. S.W.
CALGARY, Alberta
T2P 2P2 267-8771

9990 Jasper Avenue
EDMONTON, Alberta
T5J 2K3 420-1640

4902 - 50 Street
RED DEER, Alberta
T4N 1X7 343-8900

ROYAL BANK OF CANADA

9th Floor
335 - 8th Ave. S.W.
CALGARY, Alberta
T2P 2N5 292-3475

4943 Ross Street
Box 638
RED DEER, Alberta
T4N 5G6 340-7252

10th Floor
10117 Jasper Avenue
EDMONTON, Alberta
T5J 2N6 425-6640

TORONTO DOMINION BANK
2601 Toronto Dominion Bank Tower
Edmonton Centre
EDMONTON, Alberta
T5J 2Z1 429-6434

TREASURY BRANCHES OF ALBERTA
9th Floor
9925 - 109 Street
Box 1440
EDMONTON, Alberta
T5J 2N6 422-2787

Airways Park
Commercial Banking Centre
2441 - 37 Ave. N.E.
CALGARY, Alberta
T2E 6Y7 292-1270

217 - 16th Ave. N.W.
Box 1758
CALGARY, Alberta
T2P 2L8 297-2081

III ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

Provides loans or loan guarantees for the establishment and maintenance of family farms and agribusinesses. Also provides financial and farm counselling involving indepth analysis for farmers who are experiencing immediate financial difficulty. The ADC counselling service will be further supported by additional emphasis on financial management through the Department of Agriculture.

A listing of local offices is found on page 13.

IV FARM CREDIT CORPORATION

Provides long-term mortgage financing to assist Canadian farmers to establish and develop viable farm enterprises. Financial and farm management counselling is also provided to potential and existing clients.

A listing of FCC offices is located on page 20.

V PRIVATE AGRICULTURAL CONSULTANTS

Analyse and determine the feasibility of farm business and credit alternatives on a fee basis. These firms may also provide a broad range of farm management services. The following are some of the private firms offering consulting services:

Deloitte Haskins & Sells Assoc.
2300 - 255 - 5 Ave. S.W.
CALGARY, Alberta
T2P 3G6 298-3900

McKinnon, Allen & Associates
(Western) Ltd.
1115-46 Ave. S.E.
CALGARY, Alberta
T2G 2A5 243-4345

R.A. Berrien Associates (Rural) Ltd.
200 - 251 Mid Park Blvd. S.E.
CALGARY, Alberta
T2X 1S3 256-3661

Deloitte Haskins & Sells Assoc.
1701 Toronto Dominion Tower
EDMONTON, Alberta
T5J 2Z1 421-3611

Ed Braun Enterprises Ltd.
203 - 239- 8th Ave. S.W.
CALGARY, Alberta
T2P 1B9 266-0660

Watkinson, Hanhart, Duda, Dorchak
Chartered Accountants
Box 698 500, 220-4th St. S.
LETHBRIDGE, Alberta
T1J 3Z6 328-1741